

Statement of Peter Orwick
Executive Director
American Sheep Industry Association (ASI)
before the
Committee on Agriculture
U.S. House of Representatives
Washington, D.C.
July 17, 2001

On behalf of the nation's sheep and goat producers, I extend our appreciation Chairman Combest and Congressman Stenholm for the opportunity to discuss the Farm Bill Concept Paper and particularly the wool and mohair program as included.

As you are well aware, due to the Committee's active support of recent emergency measures to assist our industry, and your discussions with sheep producers across the country during the committee's field hearings in 2000, these are very trying times in our industry. The Committee has responded with a supplemental package for agriculture in 2001 to assist food and fiber producers this year and provided the draft of the new Farm Bill. The Committee is to be commended for its aggressive leadership for agriculture.

The following points reflect the industry's work during the past year to define details for a marketing loan/loan deficiency payment program under the authorization in the Committee's concept document:

- The loan rate for wool recommended at \$1.20 per pound average with a schedule of premiums and discounts to adjust for value differences.
- A basic minimum loan rate provision for non-graded wool provides an avenue for all producers to participate without inefficient testing of off-sort wool or small lots, which is particularly important to the farm flock sector. A sales receipt for the current year's wool would be submitted with the application form to receive the deficiency payment between a basic rate and the sale price on a greasy basis.
- The loan rate for mohair recommended at \$4.20 per pound average with a schedule of premiums and discounts to adjust for value differences.
- Repayment is based on lower of world price or principle and interest.

- We are pleased with the guidance of the committee in the concept paper to provide the marketing loan as non-recourse to provide risk management benefits to producers. Any storage costs are the responsibility of the producer.
- Loan eligibility to 100 percent of production with the \$75,000 limit on LDP gains and availability of generic commodity certificates are recommended as common provisions of marketing loan programs of the other commodities contained in the concept paper.

This marketing loan/loan deficiency payment program is vital to providing stability in production and competing in the global marketplace.

In contrast to unfortunate claims made in last week's debate on the FY 2002 appropriations for agriculture, this program is absolutely not the old national wool act. It is a modest safety net; a marketing loan program like the programs provided for other commodities.

Our industry deals with the same situation facing agriculture across the United States; whether it be the currency exchange rates which continue to provide great advantage to exporters of product to the U.S. such as New Zealand and Australia, the tremendous subsidies provided to our competitors such as the \$2 billion annual government expenditures by the European Union to its sheep producers or the production policies of competitors such as the stockpile of wool in Australia.

As accurately described by members of this committee in last week's debate, wool prices are the lowest since 1971, without adjustment for inflation, and depressed market prices for mohair during the last 6 years has caused mohair production to decline from 13 million pounds in 1995 to a projected 2.75 million pounds for 2001.

In reference to the analysis conducted by Dr. David Anderson of the Texas A&M Agricultural and Food Policy Center and presented to the Committee at the March 22, 2001 hearing, the industry is confident that a modest safety net of a marketing loan/loan deficiency program will stabilize production and strengthen the competitive situation for United States producers.

The market-oriented provisions of this recommended program lend itself to further strength of U.S. production for our domestic and the international market. Enhanced product testing and description under this program will improve our ability to market overseas; it improves the product description in order to interest more buyers of U.S. product, whether domestic or international textile companies. Loan values are tied to the world price indicators to avoid market disruptions but must move into the marketplace eventually due to the recourse provision. The loan provision provides an essential risk management function which is available nowhere else in the sheep industry for any of our production.

The sheep industry is committed to helping industry adapt to the changes in the wool market. This year we are working to advance our marketing channels, better describe wool so it can be sold electronically and aggressively seek to replace our lost U.S. apparel and textile industries as users of U.S. wool. We are optimistic that these production and marketing programs will enhance the United States wool producer's position and price relationship to other wool producing countries. We have successfully moved during the 1990's to the international wool markets growing from 7 percent of U.S. production going overseas to 30 percent today.

The mohair industry has worked diligently during the last five years to develop and create new products and markets that will increase competition and ultimately increase the price of mohair. The primary emphasis has been directed toward adult mohair where the weakest market conditions exist. Nevertheless, time is needed to allow these efforts opportunity to generate results, which the industry feels will result in better market prices for the producer. The US, along with South Africa, produce over 90% of the world's production of mohair. Thus, the US industry faces a barrier in remaining profitable with our largest competitor due to the obvious differences in cost of production. As a result the industry has focused on developing niche products aimed at US consumers that are market friendly and reward a modest market.

We understand the changes in the U.S. textile industry will mean additional changes for U.S. wool producers and we intend to meet the challenge however, I firmly believe the marketing loan and loan deficiency payment will provide a measure of stability to allow producers to do their part.

We fully support the conservation title outlined in the Committee's concept paper. In particular, the EQUIP provision with 50 percent targeted at livestock operations is a strong point for our industry.

Additionally, the authorization in the concept document for the USDA Market Access Program at \$180 annually is very positive for agriculture including the wool and mohair industries. Inclusion of a stronger MAP program, a modest safety net program for wool and mohair and the provisions included for the conservation title greatly assist U.S. agriculture to compete in the global marketplace.

We greatly appreciate the efforts and leadership of the Committee with the Farm Bill and look forward to assisting with any questions or requests.